



**MOOREVIEW**  
*Management Consulting Inc.*

# Phase 1 Workplan Report

**City of Edmonton**

**EPCOR Water Services Inc. Performance Based  
Regulation (PBR) Regulatory Review**

August 20, 2025  
Final Version

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## 1.0 Executive Summary

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### 1.1 Project Overview

In June 2025, Mooreview Management Consulting Inc. (in partnership with senior consulting resources from Randy Soifer Consulting Ltd., Confluence Advisory Inc., and Doane Grant Thornton LLP) was engaged by the City of Edmonton (herein “City”) to perform a review to address motions moved by Utility Committee related to EPCOR Water Services Inc. (herein “EWSI”) 2025-2027 Performance Based Regulation (herein “PBR”) Application for EPCOR Wastewater Treatment and Wastewater Collection.

The following motions were moved by Utility Committee at the October 11, 2024 Utility Committee meeting:

1. That Administration work with EPCOR to develop a workplan that supports the implementation of the recommendations in Attachment 10 of the October 11, 2024, Financial and Corporate Services report FCS02677<sup>1</sup>, including recommendations from the Utility Advisor, and return to Committee (see Attachment 10 in **Appendix A**).

Due Date: Second Quarter 2025, Utility Committee

2. That, subsequent to the submission of the workplan referred to in part 2, that EPCOR incorporate the recommendations in Attachment 10 of the October 11, 2024, Financial and Corporate Services report FCS02677 into the next Wastewater Performance Based Regulation application.

This report summarizes the project’s Phase 1 findings and recommendations for next steps in the project.

### 1.2 Scope of Work

This project is intended to review the PBR regulatory framework and associated protocols in place which oversee EWSI’s PBR periodic rate applications and performance reporting for its suite of Water, Wastewater Treatment, and Wastewater Collection (which collects and moves both sanitary and stormwater flows) provided to customers within the City of Edmonton. The project’s scope of activities and deliverables include the following requirements:

- Complete a review of the current PBR process to prepare a workplan to determine the appropriate changes required to the PBR process to address the recommendations in Attachment 10 “Recommendations for the Next Performance Based Regulation Application (Administration)” provided during the October 2024 Utility Committee PBR Review Meeting for Drainage and Wastewater. This workplan is expected to include a timeline of deliverables that will be appropriate to satisfy the requirements of the project;
- A jurisdictional scan of comparable utilities will also be required to support the workplan as well as the subsequent work; and

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<sup>1</sup> City of Edmonton, “Recommendations for the Next Performance Based Regulation Application (Administration),” Attachment 10, September 2024

- Once reviewed by the Utility Committee, the workplan will be leveraged to satisfy the approved recommendations (Attachment 10) proposed by Administration and the Utility Advisor.

This report is focused on the initial phase of this project, with a primary purpose to perform initial internal stakeholder engagement, external research, and further project workplan development to support its subsequent phases.

### 1.3 Summary of Initial Observations and Proposed Next Steps

A summary of key observations from the internal engagement and external research was developed. Input and observations were obtained generally regarding the following PBR topics:

- Process
- Governance and Roles
- Performance Measures
- Balancing Risk vs. Reward

#### 1.3.1 Summary Internal Stakeholder Engagement Input

Stakeholder groups were identified to engage, and included representatives from EPCOR, City Administration, Utility Advisor, and Utility Committee. For each stakeholder group, interview discussion guides were developed and interviews were conducted with selected participants. In addition, a kick-off meeting discussion with the project's PBR Working Committee (comprised of representatives from EWSI and City Administration) obtained input regarding desired project expectations and focus area. A list of representatives who are serving as part of the PBR Working Committee and who were interviewed to support this engagement is provided in **Appendix B**.

Based on the received input regarding the PBR framework, the following summary-level observations are highlighted as areas which can benefit from further review, consideration of leading practices, and potential regulatory framework design updates:

1. **Process:** It is noted that process updates may assist in at least partially addressing several of the noted improvement opportunities noted across all topic categories. Key observations included noting that the PBR application process is too rushed and does not enable sufficient cross-examination and review of all supporting materials and projections. There is also benefit in reviewing the types of supporting analysis and materials provided to ensure a detailed focus on priority areas which hold sufficient risk and value to the rates ultimately charged to customers while streamlining areas which represent lower risk areas. In addition, a review of the format and quality of guidance received by EWSI from Council in its regard to priority objectives and performance outcomes (i.e. in Council's role as shareholder) to guide the PBR application development is appropriate. Finally, any process updates or requirements for public engagement and performance reporting to the public can be considered.
2. **Governance and Roles:** In addition to process updates, a review and update of each party's roles, responsibilities, and accountabilities is appropriate to ensure that the PBR application and reporting process can function as desired. This includes a specific review on how City Council members can balance their roles and responsibilities from a Utility perspective (i.e., utility regulator/Utility Committee), business perspective (i.e., shareholder), and political perspective (i.e., City Councillor). In addition, further review of

the primary roles and responsibilities and capacity requirements for City Administration, the Utility Advisor, and EWSI will be performed to ensure that the regulator has the support to appropriately fulfill their determined responsibilities.

3. **Performance Measures:** A review of the PBR's performance measurement methodology (i.e. selection and approval process, performance calculations, and implications to penalties, incentives, and performance management) is appropriate to address the questions / concerns captured against this topic. This should also consider EWSI's future in the provision of consolidated OneWater PBR applications and suite of performance measurements across Water, Wastewater Treatment, and Wastewater Collection services. Note that specific review and selection of final PBR measures to support the 2028 PBR term may require subsequent work by EWSI and others once this deliverable has been completed.
4. **Balancing Risk vs. Reward:** Although it was noted that significant design changes to this present balance may not be required, further review and clarification may be appropriate for rates expectations / criteria, criteria for when it may be appropriate to use a deferral account versus not, and degree of supporting analysis and information to justify projections which impact rate revenues.

### 1.3.2 Summary Initial External Research Observations

In addition to the initial stakeholder engagement, a preliminary research program was undertaken, based on information that is publicly available, to support the development of the project workplan. The purpose of the external research is to compare other regulatory frameworks to the unique process and approach used to regulate EWSI's services in Edmonton and to understand common or leading practices used in other jurisdictions. As the project proceeds, detailed research will be completed to support the development of recommendations to address the selected areas of focus.

As described in Appendix N of EWSI's 2025-2027 Wastewater PBR Application<sup>2</sup>, Edmonton's PBR regulatory framework is unique relative to many other municipal utility regulatory processes within Alberta and as compared to other international regulatory jurisdictions. The PBR framework leverages the enabling legislation per the Municipal Government Act (MGA)<sup>3</sup> to position City Council (in Edmonton's case this is the Utility Committee, as was referenced in the City's Bylaw 12294<sup>4</sup>) as the regulator for utility rates set for customers within City boundaries. This is similar to other municipalities across Alberta<sup>5</sup>. However, in other jurisdictions reviewed

<sup>2</sup> EPCOR Water Services, "Appendix N: Performance Based Regulation Background", 2025-2027 Wastewater PBR Application, May 2024, [https://www.epcor.com/content/dam/epcor/documents/supporting-documents/2024\\_water-rate-application-appendix-n-performance-based-regulation-background.pdf](https://www.epcor.com/content/dam/epcor/documents/supporting-documents/2024_water-rate-application-appendix-n-performance-based-regulation-background.pdf)

<sup>3</sup> Province of Alberta, "Municipal Government Act, RSA 2000, c M-26", 2025, [https://kings-printer.alberta.ca/1266.cfm?page=m26.cfm&leg\\_type=Acts&isbncln=9780779853908](https://kings-printer.alberta.ca/1266.cfm?page=m26.cfm&leg_type=Acts&isbncln=9780779853908)

<sup>4</sup> The City of Edmonton, "Bylaw 12294, EPCOR Edmonton Regulated Utilities Procedures Bylaw", 2017

<sup>5</sup> Typically, per enabling MGA legislation, the elected councils (or sub-committee of council) of municipalities across Alberta have authority to make decisions regarding water, wastewater, and stormwater rates (as applicable) charged to customers within their jurisdictions. From general awareness, examples include City of Calgary, Strathcona County, City of Red Deer, City of Lethbridge, City of Medicine Hat, City of Grande Prairie, and others. However, the PBR regulatory framework is not commonly used in other Alberta jurisdictions for their water, wastewater, and stormwater utilities. Note that this project has not specifically reviewed other Alberta municipalities to date, but in subsequent phases some characteristics from this model will be considered.

within this initial phase (i.e., those listed below), the regulator is a legally independent organization.

As well, Edmonton's performance based regulation methodology is unique within Alberta in that it is followed to describe, apply, and approve rates across the forecasted PBR term with objective analysis provided from the Utility Advisor and City Administration (often with the support of a third-party consultant). EWSI must also provide ongoing performance reporting to the Utility Committee throughout the PBR term to ensure regulatory oversight.

The following jurisdiction targets were selected:

- Alberta Utilities Commission (AUC), which primarily regulates electricity and natural gas utilities in Alberta;
- Commerce Commission, which regulates telecommunications, electricity, fuel, and water sectors (among others) in New Zealand;
- Independent Pricing and Regulatory Tribunal (IPART), which regulates a variety of water, energy, and transport utilities in New South Wales, Australia;
- Nova Scotia Regulatory and Appeals Board, which regulates non-energy utilities in Nova Scotia;
- Ofwat (The Water Services Regulation Authority); which regulates a range of water and wastewater utilities in England and Wales; and
- Water Industry Commission for Scotland (WICS), which regulates the Scottish Water Utility in Scotland.

Based on the initial external research completed to date, the following summary-level observations are highlighted as areas which can be potentially considered to help guide updates to the PBR process, governance, performance measures, and approach to balancing risk versus reward:

1. **Process:** It is noted that rates applications review processes tend to be much longer than employed the EWSI PBR and feature more opportunities for cross examination and review of supporting materials to ensure the defensibility and justification of the rates application. In addition, for some jurisdictions the shareholders of government-owned utilities issue shareholder expectations to both the utility and the regulator, upon which the utility will develop its rates application. The regulator will also leverage this as a contributing basis for its review, including the guidance for exploration of specific issues and topics to inform the applications.
2. **Governance and Roles:** Other regulatory agencies feature a high degree of technical and industry expertise for both the commissioners and their supporting staff. Further, the agency staff feature significant resourcing capacity to assist the regulator in the review and cross examination of the rates application.
3. **Performance Measures:** Performance measures are set by the regulatory agency (with input from the utility) with an emphasis on customer-facing outcomes. Performance targets are set uniquely for each utility based on their context and local servicing

demands. Finally, enforcement of utilities' performance can be subjective with a focus on corrective action plans where appropriate.

4. **Balancing Risk vs. Reward:** The research found that regulatory agencies employ various controls on revenues and rates, including direction from government owners around rates affordability or benchmarking, direction around efficiency factors or efficiency planning, or varying approaches to true-up mechanisms. The true-up mechanism helps protect customers from overly conservative forecasts from the utility and can also potentially help protect the utility from under-realized revenues. The earnings sharing mechanism (ESM) employed in Alberta under the PBR for electric and gas distribution utilities (per Alberta Utilities Commission) is provided as an example in Section 4.3.4.

### 1.3.3 Summary Proposed Scope of Project Objectives and Next Steps

Based on the initial internal engagement and external research observations and consideration of the project's original scope, an update to the project's scope and approach was developed and is proposed in this report. To address both the items indicated in the Attachment 10 document and those recommended by the Utility Advisor, a review of PBR's desired outcomes and priorities regarding utility performance measurement and ongoing reporting, corresponding roles and responsibilities, and process is appropriate. Based on the initial stakeholder input obtained, there is also support for reviewing the PBR rates application and ongoing performance reporting processes and the enabling roles, responsibilities, and requirements to support these. Based on these expectations and to ensure a holistic review, it is proposed to address the following items:

1. **PBR Principles, Goals, and Objectives:** Revisit, update as required, and confirm the overarching principles, goals, and objectives of the PBR. While it is not likely expected that a significant shift is required regarding the existing principles, there may be opportunities to explore and confirm other desired outcomes, regulatory characteristics, and / or supporting details which substantiate what is required to achieve each existing principle. These can include the following items:
  - a. The desired degree to minimize the PBR's "regulatory burden" versus the potentially competing desire to establish a greater extent of analysis, defensibility, and justification of the Water, Wastewater Treatment, and Wastewater Collection cost of service expenditure and rates projections;
  - b. Supporting objectives or requirements to ensure that the target balance of utility vs. ratepayer risk vs. reward is achieved. Although input received from stakeholders was widely received that the present balance is set at an appropriate level, there were questions raised about a potential lack of supporting details, justification, and / or objectivity for certain cost of service projections which may shift this risk towards ratepayers.
  - c. Identifying and confirming key PBR information / input requirements to ensure that the desired outcomes per the PBR principles and items described in (a) and (b) (above) are met. This will consider what is required from EWSI, City Administration, and the Utility Advisor.

Ultimately, the expected outcomes from this work shall specify what success looks like for the future PBR framework. The remaining PBR concept deliverable shall be designed relative to these requirements.

2. **Roles, Responsibilities, and Accountabilities:** Based on the updated target description of desired PBR outcomes (above), the project will then transition to explore, identify, and confirm the required roles, responsibilities, and accountabilities to achieve them. A Responsible, Accountable, Consulted, and Informed (RACI) matrix description will be completed to document these roles. From this updated role clarification, consideration for appropriate resourcing capacity will also be considered and defined.
3. **PBR Rates Application and Performance Reporting Process Design:** Based on the updated requirements and updated roles, an updated PBR rates application and performance reporting process shall be designed. This will include steps and timelines for the obtaining of stakeholder / public input, drafting, reviewing and analysis, cross examination, and finalizing of the rates application and performance reports to the Utility Committee. It will also explore public reporting process considerations to address how the City can ensure transparent reporting of utility performance to the public.
4. **Performance Measures and Performance Measurement Methodology:** This step will focus on the categories and types of appropriate performance measures to include while noting ongoing input and expectations over time from the government-owned shareholder and requirements of the regulator. It will also focus on the “so what” regarding measurement of EWSI’s actual results relative to penalties, incentives, and the Utility Committee’s ability to direct performance improvement.

A key to this project will be to engage and facilitate development of the desired future state PBR design recommendations in collaboration with the PBR Working Committee. This was established upon project kick-off and includes three individuals each from EWSI and City Administration (see **Appendix B**). It is expected that the future-state design will be co-designed with input and feedback gained in real-time through facilitated working sessions with this Committee. In addition, further stakeholder engagement will be performed to obtain input from other representatives, including the new Utility Committee after the fall 2025 election.

Next steps include completing the detailed external research work stream for presentation to the PBR Working Committee by Q4 2025. From this, the desired “To-Be” PBR Regulatory Function will be developed through facilitation with the PBR Working Committee, with an anticipated milestone completion of Q2 2026. The results and recommendations from this work will be drafted and submitted for presentation to the Utility Committee in 2026. A summary of this updated workplan to guide the planned activities for the project’s subsequent phases is provided in the following graphic:




 <p style="text-align: center;"><b>Phase 2: Detailed External Regulatory Review</b> <i>Q3-Q4 2025</i></p>	 <p style="text-align: center;"><b>Phase 3: “To-Be” Regulatory Function Design</b> <i>Q4 2025 – Q2 2026</i></p>	 <p style="text-align: center;"><b>Phase 4: Reporting &amp; Presentations</b> <i>Q2 2026</i></p>
<p><b>Activities</b></p> <ol style="list-style-type: none"> <li>1. Perform International Review of Target Regulatory Protocols</li> <li>2. Perform Review of Utility Performance Metrics, Benchmarks, &amp; Methods vs. Bonuses &amp; Penalties</li> <li>3. Synthesize Results of External Research</li> <li>4. Present Findings with PBR Working Committee / Stakeholders</li> </ol>	<ol style="list-style-type: none"> <li>1. Engage New Utility Committee &amp; Additional Stakeholders / Internal Representatives</li> <li>2. Facilitate Definition of Desired PBR Principles, Goals, &amp; Objectives</li> <li>3. Update Governance Description (RACI) for Regulator, City Administration, Utility Advisor, and EWSI</li> <li>4. Update PBR Rates Application and Performance Reporting Processes</li> <li>5. Update Performance Measurements and Performance Measurement Methodology</li> <li>6. Plan &amp; Facilitate Working Committee Sessions</li> <li>7. Develop Implementation Plan for Subsequent Detailed Design and Implementation Work</li> </ol>	<ol style="list-style-type: none"> <li>1. Draft Final Report</li> <li>2. Update &amp; Finalize Report (based on feedback from City &amp; EPCOR)</li> <li>3. Develop &amp; Provide Utility Committee Presentation</li> </ol>
<p><b>Deliverables</b></p> <p>A. External Research Presentation &amp; Report</p>	<p>A. Working Committee Workshops B. Technical Memorandums C. Recommended “To-Be” State &amp; Implementation Plan</p>	<p>A. Draft &amp; Final Report B. Utility Committee Presentation</p>

Figure 1: Proposed PBR Regulatory Review Workplan

## 2.0 Project Introduction

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This section provides a brief description of the EWSI PBR Regulatory Review project. It also describes the existing legislation and guidance directing the PBR regulatory review and the project scope established with the City's project management.

### 2.1 Context for the PBR Regulatory Review Project

This project is intended to review the PBR regulatory framework and associated protocols in place which oversee EWSI's PBR periodic rate applications and performance reporting for its suite of Water, Wastewater Treatment, and Wastewater Collection (which collects and moves both sanitary and stormwater flows) provided to customers within the City of Edmonton. Due to the highly integrated nature of EWSI's operations (i.e., OneWater integration) it is likely that there will be some overlap with EWSI's water utility services in the review of Wastewater Services.

Specifically, this project was initiated to deliver against the following recommendations cited in Attachment 10 "Recommendations for the Next Performance Based Regulation Application (Administration)" provided during the October 2024 Utility Committee PBR Review Meeting for Drainage and Wastewater. Additionally, recommendations from the Utility Advisor were received and included as items to address in this project, which are also provided below:

- **Item #20.a:** A review of the regulatory process for establishing and directing performance measures, including the roles of the parties involved (Council, Administration, EWSI) and factor in leading practice considerations from applicable regulatory agencies (e.g., AUC, OFWAT, IPART, or others).
- **Item #24.a.:** Review the suite of performance measures, and adjust them as required, to:
  - Reflect that the PBR process is a financial regulatory process with an objective to ensure customers are receiving value for the rates they pay;
  - Measure EWSI's progress towards meeting prescribed commitments; and
  - Include an appropriate number of outcome-based measures (lagging indicators); and
  - Include measures that can be benchmarked against comparative utilities.
- **Item #25.a.:** The appropriate party to undertake a review of the performance measures methodology, including benchmarking against other comparable regulatory regimes to address how base and bonus points are allocated and the review of financial incentives and penalties, including the relevant implications.

Note that, by extension, items numbered 26.a and 27.a in Attachment 10 are deemed to be considered in this project by nature of clarifying "the appropriate party" to be responsible.

- **Utility Advisor Recommendations:** The recommendations proposed by the Utility Advisor included:
  - a) Improve the quality of Public Consultation by seeking input from customers and asking questions that probe trade-offs (i.e. Would you prefer fixed rates with higher costs, or rates that may vary but lower costs?)

- b) Provide additional evidence on Return on Equity experts' recent experiences in regulatory proceedings.

## 2.2 PBR Regulatory Principles and Process Overview

The enabling legislation to guide this regulatory process was provided in the City's Bylaw 12294<sup>6</sup>. This bylaw was repealed and process information established in an administration report<sup>7</sup> provided in 2021, which was recently updated on May 6, 2024<sup>8</sup>. To guide this PBR regulatory review, a set of long-standing guiding objectives have been established which are noted below as:

1. EWSI is entitled to a reasonable margin of profit from operations in relation to the provision of utility services within the boundaries of the city of Edmonton;
2. The citizens of the city of Edmonton must be provided with safe and reliable utility services;
3. All customer charges will be based upon cost of service;
4. Rates will be sufficient to ensure the continued development of utility infrastructure to reasonably ensure the satisfaction of these objectives;
5. Utility services are to be provided in a manner that reflects reasonable environmental management and aligns with City objectives;
6. Service levels and EWSI performance will be assessed with reference to industry benchmarks and/or EWSI's historical performance;
7. PBR hearing process will provide EWSI with an opportunity to present its final argument and/or summarize its position before a decision on rates is rendered; and
8. The timing of a decision and the effective date for rates approved must reflect the financial needs of EWSI.

In addition, a review of the PBR's Minimum Filing Requirements<sup>9</sup> (herein MFR") was performed. This details specific information expected to be provided to support EWSI's PBR applications and are itemized to enable an objective, independent review to support the regulatory process.

## 2.3 Project Scope, Structure, and Approach

From review of the City's requirements, based on motions moved at Utility Committee and Attachment 10, it was noted that the following key activities were requested:

- Complete a review of the current PBR process to prepare a workplan to determine the appropriate changes required to the PBR process to address the recommendations in Attachment 10 in advance of EPCOR's 2028 PBR application. This workplan is expected

<sup>6</sup> The City of Edmonton, "Bylaw 12294, EPCOR Edmonton Regulated Utilities Procedures Bylaw", 2017

<sup>7</sup> The City of Edmonton, "EPCOR Water Services Inc. – Performance Based Rates Applications and Regulatory Process", February 22, 2021

<sup>8</sup> FCS02677 Administration Review of EPCOR Water Services 2025-2027 Performance Based Regulation Application for EPCOR Wastewater Treatment and Wastewater Collection, Attachment 4, October 11, 2024

<sup>9</sup> EPCOR Water Services Inc., "Minimum Filing Requirements for Edmonton Water Services; Performance Based Regulation; General Framework and Guidelines," 2015

to include a timeline of deliverables that will be appropriate to satisfy the requirements of the project;

- A jurisdictional scan of comparable utilities will also be required to likely support the workplan as well as the subsequent work; and
- Once reviewed by the Utility Committee, the workplan will be leveraged to satisfy the approved recommendations (Attachment 10) proposed by Administration and the Utility Advisor.

From a timing perspective, it was understood that the following critical dates need to be met:

- **Development of a Workplan for Utility Committee:** September 2025
- **Recommendations, Reporting and Presentation of a Final Report:** By Q2 2026

Based on discussions with EWSI, it is noted that it has initiated the 2028 PBR work in 2025 with a planned filing date of November 30, 2026. This project will aim to achieve deliverable timelines that will ultimately support EWSI's consolidated (Water and Wastewater Services) PBR application for 2028. The currently approved PBR term for Wastewater Services is set to expire on December 31, 2027. It is also expected that the Water Services PBR term will be extended to December 31, 2027 to allow for the consolidation of the PBR process.

To deliver this review, a partnership was formed across individual, senior-based consulting firms and consultants, including:

- Myron Moore, Owner and President, Mooreview Management Consulting Inc.
- Randy Soifer, Owner, Randy Soifer Consulting Ltd.
- Rob Spackman, Principal Consultant, Confluence Advisory Inc.
- Angie Brown, Partner, Grant Thornton LLP
- Janet Mitchell, Independent Consultant

To support these project expectations, a tailored project approach was developed to guide its activities and deliverables. This was developed to achieve a high degree engagement, external research, and working in collaboration with stakeholders from EWSI and the City. This is provided in the graphic on the following page:

 <p><b>Phase 1: Project Planning &amp; Workplan Development</b> <i>Q2-Q3 2025</i></p> <p><b>Activities</b></p> <ol style="list-style-type: none"> <li>1. Develop Project Plan, Engagement Plan &amp; Working Committee Terms of Reference</li> <li>2. Confirm Project Management and Communications Protocols</li> <li>3. Hold Kick-Off Meeting</li> <li>4. Review Background Materials</li> <li>5. Interview Initial Set of City &amp; EPCOR Stakeholders &amp; Summarize Input</li> <li>6. Develop External Research Plan &amp; Initiate Secondary Research</li> <li>7. Develop &amp; Confirm Proposed Workplan Deliverable (Phases 2-4)</li> </ol> <p><b>Deliverables</b></p> <ul style="list-style-type: none"> <li>A. Project Plan &amp; Stakeholder Engagement Plan</li> <li>B. External Research Plan</li> <li>C. Project Kick-Off</li> <li>D. Initial Stakeholder Engagement</li> <li>E. Initial Research</li> <li>F. Project Workplan / Report</li> </ul>	 <p><b>Phase 2: Detailed External Regulatory Review</b> <i>Q3-Q4 2025</i></p> <ol style="list-style-type: none"> <li>1. Perform International Review of Target Regulatory Protocols</li> <li>2. Perform Review of Utility Performance Metrics, Benchmarks, &amp; Methods vs. Bonuses &amp; Penalties</li> <li>3. Synthesize Results of External Research</li> <li>4. Present Findings with Working Committee / Stakeholders</li> </ol> <p>A. External Research Presentation &amp; Report</p>	 <p><b>Phase 3: “To-Be” Regulatory Function Design</b> <i>Q4 2025 – Q2 2026</i></p> <ol style="list-style-type: none"> <li>1. Engage New Utility Committee &amp; Additional Stakeholders</li> <li>2. Facilitate Definition of Desired Outcomes</li> <li>3. Update Description for Roles of Regulator, City, and EPCOR</li> <li>4. Update Performance Measurement &amp; Reporting Method</li> <li>5. Update Implications of Performance Measures to Financial Outcomes</li> <li>6. Develop Recommended Updates to Performance Measures</li> <li>7. Plan &amp; Facilitate Working Committee Sessions</li> <li>8. Develop Implementation Plan</li> </ol> <p>A. Working Committee Workshops B. Technical Memorandums C. Recommended “To-Be” State &amp; Implementation</p>	 <p><b>Phase 4: Reporting &amp; Presentations</b> <i>Q2 2026</i></p> <ol style="list-style-type: none"> <li>1. Draft Final Report</li> <li>2. Update &amp; Finalize Report (based on feedback from City &amp; EPCOR)</li> <li>3. Develop &amp; Provide Utility Committee Presentation</li> </ol> <p>A. Draft &amp; Final Report B. Utility Committee Presentation</p>
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Figure 2: PBR Regulatory Review Project Approach

To support this Phase 1 workplan development, initial stakeholder engagement was performed with input obtained from members of EPCOR, City Administration, the Utility Advisor, and the Utility Committee. As well, initial external research was performed on select utility regulatory jurisdictions across international locations. In addition, a PBR Working Committee has been established with select representatives from both EWSI and City Administration to ensure a high degree of stakeholder engagement throughout the project’s duration. The project was initiated in June 2025.

## 3.0 Stakeholder Engagement

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This section describes the initial stakeholder engagement activities performed to support the Phase 1 work. It also summarizes key input obtained from these engagement activities.

### 3.1 Stakeholder Engagement Activities

The following activities were performed to obtain input regarding the PBR regulatory framework and to assist in the Phase 1 workplan development:

- i. **Project Kick-Off:** A formal project kick-off meeting was planned and facilitated with the PBR Working Committee. During this meeting, discussion was held regarding key PBR regulatory framework opportunities, desired focus areas, and project expectations.
- ii. **Stakeholder Interviews:** For each stakeholder group, interview discussion guides were developed and interviews were scheduled and conducted with selected participants. These participants were selected to obtain input from a range of different stakeholder groups, including EPCOR, City Administration, the Utility Advisor, and the Utility Committee. A list of representatives interviewed to support this engagement is provided in [Appendix B](#).
  - For each stakeholder group, questions were discussed regarding the history of the PBR process and its perceived strengths and opportunities, current governance (including roles and responsibilities), performance measures, and approaches taken to balance EWSI's risks and rewards versus those of utility ratepayers.
- iii. **Draft Workplan Review:** The PBR Working Committee was provided an opportunity to review the draft workplan report deliverable and provide feedback prior to its finalization.

It is noted that additional stakeholder engagement activities are planned for subsequent phases of this project, including working sessions with the PBR Working Committee and additional engagement with the Utility Committee by Q2 2026.

### 3.2 Summary Stakeholder Input

This section describes the summary, primary themes and observations gained from the initial engagement activities performed to date. Content has been categorized into the following categories:

- i. Process
- ii. Governance and Roles
- iii. Performance Measures
- iv. Balancing Risk vs. Reward

#### 3.2.1 Process

Interviewees were prompted to describe their experience with the PBR process, include noting how they may have perceived it to evolve over time, key areas of strength, and potential areas for improvement opportunities.

Areas Noted as Strengths:

- i. **Effective:** Most interviewees indicated that the PBR process has overall proven to be an effective process and framework for the regulation of Water, Wastewater Treatment, and

Wastewater Collection services provided by EWSI to customers within the City of Edmonton. It is noted that the PBR has allowed the City's utility functional experts (EWSI) to work with City Administration, Utility Committee, and City Council to establish a forward-looking, approved operating and capital cost envelope, appropriate rates to fund the operating and capital expenditures, allowable return on equity, and performance measures, and permits EWSI to respond to externalities through flexibility in its operating and capital cost decisions while operating within the approved envelope.

- ii. **Limits regulatory burden:** It was noted that one of the main objectives of the PBR process is to reduce regulatory burden as compared other utility regulatory agencies (e.g. Alberta Utilities Commission, Ofwat (which regulates the water industry in England and Wales), and others). Interviewees with experience with other regulatory agencies agreed that the EWSI PBR is successful in its regard to limit the administrative and regulatory burden compared to these.
- iii. **Transparent:** It was noted that a key tenant of the PBR process is to ensure transparency of the PBR application, PBR information requests and responses, PBR review, and PBR heading to the public.
- iv. **Positioned the Utility Committee to Serve as Regulator:** It was noted that the PBR process has enabled the City's Utility Committee to review EWSI's rate applications by asking probing questions and obtaining answers to these from EWSI. In addition, the Utility Committee conveyed that they were technically well supported through input and guidance from both City Administration and the Utility Advisor.
- v. **Improvement:** For those with experience with the PBR over time, it was noted that the quality of the applications has generally improved since its inception. This has included additional detail to support the application. It was also noted that the PBR has established a minimum set of filing requirements<sup>10</sup> which guides expectations for the range of supporting materials required for PBR applications.

Areas Noted as Questions / Concerns:

- i. **Diminishing Returns for Additional Application Requirements:** Some stakeholders expressed concern that some of the additional details now required in applications since the PBR's inception may go against its objective to limit unnecessary administrative and regulatory burden. It was questioned whether some of the details now requested truly reflect priority risk areas. An example of this includes the requirements for business cases for all capital projects beyond a \$10 million threshold, as it was noted that some of EWSI's annual replacement programs are re-occurring and despite their total capital budget, they reflect a relatively lower element of risk as compared to other unique or new capital projects.
- ii. **Depth of Public Engagement and Ease of Public Communications:** Some interviewees noted a possible improvement opportunity to ensure:
  - A sufficient depth of input from public engagement to assist in rates design and performance measures; and

<sup>10</sup> EPCOR Water Services Inc., "Minimum Filing Requirements for Edmonton Water Services; Performance Based Regulation; General Framework and Guidelines," 2015

- EWSI's performance can be easily reported to the public.

It is noted that, during the stakeholder engagement, EWSI representatives provided examples of the PBR Reader's Guides<sup>11</sup>, public engagement reports which accompany each PBR application, and annual performance reports which are developed and presented to the Utility Committee.

- iii. **Cross Examination:** Some stakeholders indicated that the current PBR process does not enable sufficient cross-examination of the PBR application. In addition, despite the additional information that has been provided to the application over time, some interviewees perceive that insufficient details are provided on projections for select financial and customer attributes which impair the degree of defensibility of the application.
- iv. **PBR Schedule:** The majority of interviewees indicated that the current PBR application schedule is too rushed and does not permit sufficient time for in-depth review of the application or responses to information requests.
- v. **Direction:** Some interviewees expressed a concern that EWSI has not consistently received sufficient direction or expectations from the Utility Committee to guide trade-off choices it makes regarding priority performance areas or investments. In addition, many interviewees indicated that the discussions at Utility Committee meetings may not be as fulsome or may not address key areas of organizational performance.

### 3.2.2 Governance and Roles

Interviewees were prompted to provide input regarding the prerequisite capabilities for each of the PBR participants, how well the PBR framework holds EWSI accountable for rates and performance, and suggestions for potential areas of improvement.

#### Areas Noted as Strengths:

- i. **Represents Ratepayers Interests:** It was noted by the majority of interviewees that the design of the PBR governance construct enables the Utility Committee to represent the interests of utility ratepayers (while balancing the interests of ratepayers, the utility, and the public). This is aligned with typical regulatory practices for Alberta-based municipalities per direction from the Municipal Government Act (MGA)<sup>12</sup>.
- ii. **Focused Utility Functional Expertise:** It was recognized by interviewees that a primary advantage of the current governance design places responsibility for management and leadership of Edmonton's water, wastewater treatment, and wastewater collection services to EWSI, which serves the City as its utility functional experts.
- iii. **Enables Objective Technical Advisory:** It was noted that the present design of roles and responsibilities enables the Utility Committee to receive technical subject-matter-expertise to review EWSI's applications and performance reports from the Utility Advisor role and City Administration (who typically hires third-party consultants to perform objective reviews of EWSI's PBR applications).

#### Areas Noted as Questions / Concerns:

<sup>11</sup> EPCOR Water Services, "PBR Reader's Guide: 2025-2027 Wastewater Collection and Treatment", June 2024

<sup>12</sup> Province of Alberta, Municipal Affairs, "Municipal Government Act," M-26 RSA 2000, 2025

- i. **Regulator Technical Expertise:** Several interviewees noted the potential difficult position that Utility Committee members may be put in given that their role as a Utility regulator is not their sole responsibility as well as they may not likely possess the same level of technical and regulatory subject-matter-expertise and/or experience compared to counterparts in other jurisdictions/regulatory agencies (given that in other regulatory jurisdictions the regulator commissioners are typically comprised of senior utility industry professionals).

Although the Utility Committee is provided with technical resources through the Utility Advisor and City Administration, it was noted by some interviewees that the identified issues above can still make it challenging for Utility Committee members to oversee and manage EWSI's PBR application and performance reporting process in the same degree and depth as other regulatory agencies. It was noted that this can make it challenging to address all the potential technical and operational issues that may arise over the course of the Utility Committee member's term.

It was also noted that historically the members of Utility Committee have initially been provided an information session regarding its regulatory role once appointed. However, it was also noted that this training may not be fully sufficient to prepare the members relative to the more detailed technical and operational complexities that are present within the PBR applications and the ongoing and emerging issues that may arise over the member's term on Utility Committee.

- ii. **Role Clarity:** Many interviewees noted a lack of clarity regarding the targeted role definitions of each of the contributing parties to the PBR application and ongoing performance reporting. In particular, it was noted that the previous bylaw which documented the enabling legislation for the PBR was repealed in 2021 and has not yet been replaced.

It was further noted that there may be a lack of specific clarity regarding the roles of City Administration and the Utility Advisor given existing City processes as well as pertaining to the degree of proactiveness versus reactive usage of the resources to provide technical advice in the most efficient manner possible.

Additionally, input was received that the balancing of City Administration's role as a liaison with EPCOR and being a technical resource to Utility Committee can be sometimes challenging given the delicate balance of needing to collaborate with the Utility to address issues while also providing ongoing evaluation of Utility reporting (outside of the PBR application evaluation process where the services of a third-party consulting firm are engaged).

Finally, it was observed that balancing the roles of Utility Regulator, Utility Shareholder, and City Councillor can be challenging and that sometimes defining role clarity/responsibilities around these functions can sometimes be confusing.

- iii. **City Administration Resourcing Capacity:** Some stakeholders questioned if City Administration had sufficient resourcing capacity to support the Utility Committee given the increasing complexity associated with emerging issues. It was widely noted that City Administration has typically provided a high degree of expertise and productivity in its role primarily as liaison with EPCOR and in providing support to Utility Committee. However,

given the increasing details being provided in PBR applications and ongoing technical complexities, some interviewees expressed a concern that City Administration resourcing may be further constrained as time goes on.

### 3.2.3 Performance Measures

Interviewees were prompted to provide input regarding their experience with (1); how PBR performance measures are typically proposed, evaluated, and approved; and (2); how effective the performance measurement system is at directing priority areas of performance and desired outcomes.

#### Areas Noted as Strengths:

- i. **Alignment:** It was generally noted that it is perceived that the PBR performance measures are well aligned relative to EWSI's corporate performance measures and both Council's and the public's priorities and desired outcomes for utility management.
- ii. **Trend Analysis and Focus on Continuous Improvement:** It was noted that a heavy emphasis on selecting and reporting on performance measures and selecting performance targets stems from long-lived performance measures wherein measurements can be compared to EWSI's historical actual performance (last 10 years). This enables a management focus on continuous improvement for these performance areas and general management and operational stability across PBR cycles.
- iii. **Independent Performance Measurement:** It was noted EWSI is required to enable the measurement and confirmation of actual performance by a third-party auditor. This protects EWSI from any potential conflict of interest and ensures the accuracy and trustworthiness of the performance results.

#### Areas Noted as Questions / Concerns:

- i. **Source for Performance Measures:** It was noted by several interviewees that a perceived concern is that only EWSI has researched and provided recommendations for PBR performance measures to the Utility Committee. It was noted that the source for these recommendations could come from other sources (e.g., City Administration, Utility Committee, or Utility Advisor) and not rely exclusively on EWSI. It is also noted that the reporting of performance measure outcomes is a continual process which requires ongoing review and sufficient subject matter expertise to appropriately evaluate.
- ii. **Streamlined:** It was noted by several interviewees that there is an opportunity to streamline the number of performance measures. It was noted that some may be redundant when considering EWSI's move to a OneWater management approach across Water, Wastewater Treatment, and Wastewater Collection. Further, it was questioned whether some performance measurements are too technical, hard to explain to the public, or not focused on customer outcomes (and instead focused only on internal operational metrics). Finally, it was noted that some PBR performance measurements may not align with a long-term performance measurement approach and may reflect temporary desires or "flavors of the day."
- iii. **Benchmarking:** It was questioned by several interviewees whether the degree to which the performance measures and target results are compared with and justified by benchmarking information is sufficient. It was generally acknowledged that EWSI's utility operations and levels of service reflect unique logistical, environmental, and customer

servicing requirements. However, it is also noted the same can be said of any water, wastewater, and stormwater utility. Overall, a question of how the PBR process can make better use of industry benchmarking information was noted.

- iv. **Record of Actual Performance vs. Targets:** Some interviewees expressed a concern that EWSI's actual performance results typically significantly exceed targeted performance thresholds. This leads to questions regarding whether the thresholds are appropriately set and how this may align (or not) with EWSI's management of desired levels of service.
- v. **Performance Measurement Scoring Mechanism:** It was noted that individual performance measurements are weighted and overall performance scoring based on indices is developed and reported. There were some concerns that this approach:
  - May inappropriately incentivise EWSI to overachieve in select, easier performance areas versus other, more difficult performance areas;
  - Diverts both EWSI's and Utility Committee's attention away from potential areas of underperformance and conventional regulatory functions to ensure a minimum level of performance in each established performance area;
  - Sufficiently incentivises EWSI's to pursue higher levels of performance to benefit ratepayers.
- vi. **Penalties:** Some interviewees raised questions regarding the significance of the penalties incurred for EWSI to underperform and whether they pragmatically serve as a relevant regulatory tool.
- vii. **Transparency of Costs Incurred for Performance Greater than Targets:** It was questioned whether EWSI should provide a higher degree of transparency and supporting details whether incremental costs have been incurred to achieve higher levels of performance versus targeted thresholds in specific performance areas.

### 3.2.4 Balancing Risk vs. Reward

Interviewees were prompted to provide input regarding how effective the PBR framework has performed in balancing risk vs rewards (considering both EWSI and ratepayers). Input was also obtained regarding the deferral account tool historically selectively used to "true-up" specific projections.

#### Areas Noted as Strengths:

- i. **Well Balanced Risk Profile:** It was generally noted the PBR framework has and continues to serve its purpose in aligning risks vs. reward across EWSI. In this regard, it was noted that EWSI assumes the risk of the financial and customer usage projections used to establish the operating and capital envelopes and customer rates across the PBR cycle, thus insulating ratepayers from further rate increases during the PBR term. The assumption of this risk is also linked to EWSI's allowable return on equity it earns as approved by the Utility Committee during the PBR application.
- ii. **Minimizing Uses of Deferral Accounts:** It was generally supported to minimize the use of deferral accounts unless unusual circumstances deemed to represent uncharacteristic risks arise (e.g. consumption forecasting during covid-19). It was noted that a concern

would be that increased uses of deferral accounts may lead to a counter situation where customers may assume more risk as a result, with a question raised by how a situation would be resolved if customers were found to owe EWSI money at the end of a PBR term. Similarly, it was also noted that the use of deferral accounts may draw against EWSI's return on equity it is approved to earn.

#### Areas Noted as Questions / Concerns:

- i. **Rate Setting Expectations / Criteria:** It was noted by several interviewees that a key control mechanism the PBR framework enables the Utility Committee to hold is the approval to establish customer rates which are defensible, reasonable, affordable, and stable. However, it was further questioned if these characteristics are widely understood and consistently met. It was noted by some interviewees that further descriptions of expectations for these rates objectives may be required to strengthen this PBR control mechanism.
- ii. **Re-Indexing Process:** It was noted that the mechanisms established within the PBR application to demonstrate how operating efficiency gains accomplished by EWSI during the PBR cycle are applied in the subsequent PBR's to fully benefit ratepayers are not fully clear. It was noted that additional detail on how these gains are incorporated and the financial value obtained from these efficiencies may assist the utility Committee in its review of the PBR application.
- iii. **Degree of Justification / Defensibility:** It was noted by some interviewees that EWSI does not consistently provide full supporting details or sufficient justification to support some of its projections which can impact future revenues. Although this input was not received in the spirit of adjusting the desired risk profile between EWSI and ratepayers, it was noted that fulsome regulatory review of supporting details is required for key projections (e.g., future customer consumption trends and other application items). It was questioned whether the PBR process and minimum filing requirements can be updated to better enable more detailed cross-examination and the provision of fully sufficient evidence and / or supporting analysis to justify these types of projections. The regulator failing to receive this information in these situations has the unintended potential to shift risk away from EWSI and towards the ratepayer.

#### 3.2.5 Summary Stakeholder Engagement Observations

Based on the received input regarding the PBR framework, the following summary-level observations are highlighted as areas which can benefit from further review, consideration of leading practices, and potential design updates:

1. **Process:** It is noted that process updates may assist in at least partially addressing several of the noted improvement opportunities noted across all topic categories. Key observations included noting that the PBR application process is too rushed and does not enable sufficient cross-examination and review of all supporting materials and projections. There is also benefit in reviewing the types of supporting analysis and materials provided to ensure a detailed focus on priority areas which hold sufficient risk and value to the rates ultimately charged to customers while streamlining areas which represent lower risk areas. In addition, a review of the format and quality of guidance received by EWSI from Council in its regard to priority objectives and performance outcomes (i.e. in Council's role as shareholder) to guide the PBR application development is appropriate. Finally, any

process updates or requirements for public engagement and performance reporting to the public can be considered.

2. **Governance and Roles:** In addition to process updates, a review and update of each party's roles, responsibilities, and accountabilities is appropriate to ensure that the PBR application process can function as targeted. This includes a specific review on how council members can balance their roles as Utility regulators, Utility shareholders, and City Councillors and best utilize both City Administration and the Utility Advisor in their primary roles as technical resources to ensure that the regulator is provided the appropriate level of regulatory and technical expertise.
3. **Performance Measures:** A review of the PBR's performance measurement methodology (i.e. selection and approval process, performance calculations, and implications to penalties, incentives, and performance management) is appropriate to address the questions / concerns captured against this topic. This should also consider EWSI's future in the provision of consolidated OneWater PBR applications and suite of performance measurements across Water, Wastewater Treatment, and Wastewater Collection services. Note that specific review and selection of final PBR measures to support the 2028 PBR term may require subsequent work by EWSI and others once this deliverable has been completed.
4. **Balancing Risk vs. Reward:** Although it was noted that significant design changes to this present balance may not be required, further review and clarification for rates expectations / criteria, criteria for when it may be appropriate to use a deferral account versus not, and degree of supporting analysis and information to justify projections which impact rate revenues may be appropriate to perform.

Given this range of desired areas of the PBR for review, there is a need to ensure alignment between the overarching principles, goals, and objectives for the PBR, enabling roles and responsibilities, process and process requirements, and performance measures.

## 4.0 External Research

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This section describes the initial external activities performed to support the Phase 1 work. Where possible, it provides summary level observations against the noted input obtained from the initial stakeholder engagement work stream.

### 4.1 External Research Activities

In addition to the initial stakeholder engagement, a preliminary research program was undertaken to support the development of the project workplan. The purpose of the external research is to compare other regulatory frameworks to the process and approach used to regulate EWSI's services in Edmonton and to understand common or leading practices used in other jurisdictions.

As noted, the external research undertaken to date is preliminary in that it is based on information that is publicly available. As the project proceeds, it is anticipated that more detailed research will be done to support the development of recommendations to address the selected areas of focus. The future detailed research may involve interviews with regulatory agencies and/or utilities in other jurisdictions to collect more detailed information on the regulatory

frameworks and approaches employed, as well as to obtain more focused insight and lessons from those jurisdictions.

Documents reviewed for the preliminary research includes:

- Legislation;
- Regulations, policies, and rules employed by regulators;
- Pricing, rate and business plan applications from utility companies; and
- Regulator decisions for price/rate applications, as well as enforcement decisions.

## 4.2 Selection of External Research Jurisdictions

Selection of the target research jurisdictions was based on several criteria:

1. A diverse range of Canadian and international jurisdictions;
2. Regulators of arms-length utilities, i.e. not utilities that are municipal departments governed by municipal councils, which is the predominant practice for water utilities in Canada; and
3. Regulators of water utilities of similar scale and scope as EWSI in Edmonton.

The third criteria to include regulators of water utilities of similar scope and scale as EWSI not only provides direct comparisons of regulatory frameworks but also supports future project activities related to the review of EWSI's performance measures used within the PBR framework. In these instances, a target water utility was identified so that its rates application and regulated performance measures could be included in the research.

Table 1 provides the six target research jurisdictions selected for the preliminary research program. Note that the Alberta Utilities Commission was also included in the preliminary research to compare its PBR framework used for electricity and gas distribution utilities in Alberta to the PBR framework used by Edmonton for EWSI.

Regulator	Location	Target Utility	Ownership of Target Utility
<b>Alberta Utilities Commission</b>	Alberta	Electric and gas distribution utilities	Investor owned
<b>Commerce Commission</b>	Auckland, New Zealand	Watercare	Council-controlled organization owned by Auckland Council
<b>Independent Pricing and Regulatory Tribunal (IPART)</b>	New South Wales, Australia	Sydney Water Corporation	Statutory State-owned Corporation owned by the Government of New South Wales
<b>Nova Scotia Regulatory and Appeals Board</b>	Nova Scotia	Halifax Water	Autonomous utility owned by Halifax Regional Municipality (governed by a Board of Commissioners)

Regulator	Location	Target Utility	Ownership of Target Utility
<b>Ofwat (The Water Services Regulation Authority)</b>	England and Wales	<ul style="list-style-type: none"> <li>England – 12 regional water and wastewater utilities</li> <li>Wales – Welsh Water</li> </ul>	<ul style="list-style-type: none"> <li>England – investor owned</li> <li>Welsh Water – not-for-profit, public benefit corporation</li> </ul>
<b>Water Industry Commission for Scotland (WICS)</b>	Scotland	Scottish Water	Publicly owned by Scottish Government

*Table 1: Selected Jurisdiction Research Targets*

Some additional information for each regulator is provided below.

**Alberta Utilities Commission (AUC):** The AUC regulates investor-owned natural gas, electric and water utilities, and certain municipally owned electric utilities. The AUC was selected to include a review of the practices employed within Alberta, which encompasses a PBR framework for the electric and gas distribution utilities and under which the distribution function under Epcor Distribution and Transmission Inc. is regulated. Note that the regulatory framework for the five investor-owned water utilities<sup>13</sup> that AUC regulates was not included in the research because they are not of a similar scope or scale as EWSI.

**Commerce Commission:** The Commerce Commission is New Zealand’s primary competition, fair trading, consumer credit and economic regulatory agency. The sectors it regulates include telecommunications, energy networks, transport fuel, the retail payment system, dairy and airports. Watercare is transitioning to arms-length ownership by Auckland Council and is under an interim economic regulation with the Commerce Commission acting as Crown Monitor. The Commerce Commission will become Watercare’s full economic regulator in 2029. The Commerce Commission was selected because of the transition that is underway for Watercare to be regulated by the Commerce Commission and Watercare is a municipally owned water and wastewater utility of similar scope and scale as EWSI in Edmonton.

**Independent Pricing and Regulatory Tribunal (IPART):** IPART is the statutory economic regulator in New South Wales, Australia, for energy, water, local government, transport and other industries. It administers the operating licences and sets the maximum prices for the three main State Owned water utilities in New South Wales. IPART was selected because it regulates state-owned water and wastewater utilities of similar scope and scale as EWSI in Edmonton.

**Nova Scotia Regulatory and Appeals Board (NSRAB):** The NSRAB regulates non-energy utilities and reviews a variety of applications and appeals, including municipal water utilities, auto insurance, motor carrier licensing, and appeals related to property assessment, municipal planning, and fire safety. Of note, the NSRAB regulates about 50 water utilities in Nova Scotia, including approval of rates, terms of service, and spending on capital items over a certain threshold, and considers complaints from customers. NSRAB was selected because it regulates the municipal water utilities in Nova Scotia, including Halifax Water, which is an arm-length water and wastewater utility of similar scope and scale as EWSI in Edmonton.

<sup>13</sup> These five utilities include Corix Utilities (Foothills Water) Inc., Langdon Waterworks Limited, Regional Water Service Ltd., Westridge Utilities, and Calalta Waterworks Ltd.

**The Water Services Regulation Authority (Ofwat):** Ofwat is a non-ministerial government department responsible for the economic regulation of the privatized water and wastewater industry in England and Wales. It is responsible for ensuring the business and infrastructure plans are funded appropriately to meet specified service commitments and sets an expected rate of return to investors commensurate with the risk. It is also noted that the regulation for the water sector in England is being reviewed by Ofwat, government, and other regulators to establish a new regulatory body. Ofwat was selected because it regulates the water and wastewater utilities in England and Wales, which are investor or privately owned.

**Water Industry Commission for Scotland (WICS):** WICS is the economic regulator for Scottish Water, the publicly owned water and wastewater services provider in Scotland. The statutory duties of WICS are to:

- Promote the interests of Scottish Water’s customers, having regard to the interests of current and future customers;
- Ensure that customer charges reflect the lowest reasonable overall cost for Scottish Water to deliver the Scottish Minister’s objectives for the water sector; and,
- Comment on Scottish Water’s reporting of its performance, challenging Scottish Water to become more efficient and sustainable over time.

Note that mandate of WICS was selected because it is as the regulator for only Scottish Water, as the state-owned national provider of water and wastewater services. WICS was established with a sole mandate to regulate Scottish Water.

Compared to the above jurisdictions, the PBR regulatory framework is unique. It is also unique to many other municipal utility regulatory processes within Alberta. Edmonton’s PBR framework leverages the enabling legislation per the Municipal Government Act (MGA) to position City Council (in Edmonton’s case this is the Utility Committee, as was referenced in Bylaw 12294) as the regulator for utility rates set for customers within City boundaries. This is similar to other municipalities across Alberta<sup>14</sup> but in other jurisdictions selected for this review the regulator is a legally independent organization. As well, in Edmonton’s case the performance based regulation methodology is followed to describe, apply, and approve rates across the forecasted PBR term with objective analysis provided from the Utility Advisor and City Administration (often with the support of a third-party consultant). EWSI must also provide ongoing performance reporting to the Utility Committee throughout the PBR term to ensure regulatory oversight.

### 4.3 Initial External Research Observations

Based on the initial review of public available information to date, this section summarizes the key observations related to rates applications and performance reporting regulatory process, regulatory governance, approach to performance measurements, and approaches taken to balance utility versus ratepayer risk versus reward. Where applicable, the initial research was

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<sup>14</sup> Typically, per enabling MGA legislation, the elected councils (or sub-committee of council) of municipalities across Alberta have authority to make decisions regarding water, wastewater, and stormwater rates (as applicable) charged to customers within their jurisdictions. From general awareness, examples include City of Calgary, Strathcona County, City of Red Deer, City of Lethbridge, City of Medicine Hat, City of Grande Prairie, and others. However, the PBR regulatory framework is not commonly used in other Alberta jurisdictions for their water, wastewater, and stormwater utilities. Note that this project has not specifically reviewed other Alberta municipalities to date, but in subsequent phases some characteristics from this model will be considered.

leveraged to provide initial observations relative to the input obtained from the initial stakeholder engagement.

#### 4.3.1 Process

The following summary process-related observations were made from initial review:

- i. **Process Timing:** All regulatory agencies feature a longer rates application submission, review, and approval process than that now featured in the PBR. Many of these processes can extend up to one year and beyond. These processes and their steps and timing are detailed through enabling legislation and regulations.
- ii. **Priority Issues Specific to the Application:** In advance of or upon receipt of the rates application, the regulator can often perform an initial review and identify key issues at the outset which will require further review through the evaluation and cross-examination steps.
- iii. **Utility Shareholder Expectations:** For jurisdictions with government-owned water utilities, the utilities receive performance expectations from their shareholder as an input to the rates development process and prior to the application being submitted to the regulator. These expectations are also provided from the shareholder to the regulator as well to help form the basis of the guidelines upon which the rates application is will be reviewed.
- iv. **Cross Examination:** All other regulatory jurisdictions feature significant opportunities for cross examination of specific priority issues across the rates application process. This is typically performed by the regulator (staff), other intervenors, and the utility rate applicant.
- v. **Public Engagement:** Some of the other regulatory agencies (OFWAT, IPART, WICS) feature strong requirements for the utility to perform public / customer engagement as part of its rates application process. This specifies input on customer preferences and willingness to pay for alternative service levels.

Combined, these observations provide a potential lens to view process alternatives or adjustments to Edmonton's current PBR rates application process and the questions or concerns noted from the internal engagement.

#### 4.3.2 Governance and Roles

The following summary observations were made regarding regulatory governance, roles, and responsibilities from the initial review:

- i. **Regulatory Staff / Resourcing:** All regulatory agencies feature a team of dedicated staff and resourcing capacity to lead the review, cross examination, and processing of the utility's rates application. The headcount of staff that work for the regulator can range from approximately 25 – 500.  
  
Further, the regulatory agencies' staff are doing the work to assist the regulator's commissioners. This is their primary mindset and role. This is beyond just serving the regulator as an administrative liaison.
- ii. **Industry Expertise:** The commissioners who serve for the regulator agencies and have accountability for final decisions regarding utility rate applications typically possess

extensive professional experience within the utility or regulatory industry. Further, these commissioners are supported by a dedicated team of staff (see item i above).

- iii. **Distinct Legal Entities:** All of the regulatory agencies reviewed in this jurisdictional research are independent legal entities provided the legislative powers to review and approve conditions of utility rates applications. This eliminates the potential confusion the utility owner may have regarding its role as regulator versus shareholder.

It should be noted, however, that the MGA provides regulatory decision-making powers to elected councils for all water, wastewater, and stormwater public utility services provided to customers within their local boundaries. As such, the City's Utility Committee serves a similar role as other elected councils for municipalities across Alberta.

While these observations regarding governance, roles, and responsibilities from other jurisdictions are not intended to necessarily serve as a design basis for Edmonton's PBR roles, they do provide context for the questions and concerns identified by stakeholders. Additionally, it may be appropriate to identify, adjust, and confirm appropriate roles and responsibilities given the unique regulatory framework Edmonton has implemented with its PBR methodology.

#### 4.3.3 Performance Measures

The following summary observations were made regarding performance measures and the performance measures methodology from the initial review:

- i. **Establishing Performance Measures:** Most regulatory jurisdictions researched have accountability for the establishment of performance measures and targets for the utilities which apply for rates approval under their jurisdiction. It is noted that the utilities are engaged in the identification, evaluation, and review of these performance measures. However, it is not just the utility which reviews and submits the only performance measure candidates for consideration.
- ii. **Selection of Performance Measures:** Across the jurisdictions, there is generally a narrower set of performance measures which are established. In addition, the performance measures are generally customer-facing based on outcomes (i.e., not technical nor internal operational metrics).
- iii. **Performance Targets:** Each utility has its own target performance levels; there is not a common performance standard that applies equally to each utility within the regulatory agency's jurisdiction. This considers each utility's context, including local servicing challenges and service level requirements.
- iv. **Penalties and Incentives Scoring Mechanism:** While the approach varies across the jurisdictions, the other jurisdictions generally do not have a performance scoring mechanism across the suite of performance measurement categories and measures which automatically calculates overall performance, penalties, or incentives. A primary regulatory agency function is to provide oversight which directs each utility to provide targeted levels of performance. As such, the regulatory agencies tend to take a more subjective and measured approach based on each utility's context and situation. An exception is Ofwat that does employ a formulaic approach for determining outcome incentives and penalties.

#### 4.3.4 Balancing Risk vs. Reward

The following summary observations were made regarding how regulatory agencies balance utility risk versus reward from the initial review:

- i. **Efficiency Planning and Efficiency Factor Direction:** The regulatory agencies reviewed can direct the utilities under their direction to develop and follow efficiency improvement plans. Further, the regulatory agencies can study and publish analytical findings and directions for the utility efficiency factors used to calculate the utility's total rate revenue requirements it is eligible to earn through the setting of rates.
- ii. **True-Ups and Revenue Sharing based on Actual Rate Revenues:** Some of the regulatory agencies included in the initial review have implemented true-ups based on degree of rate revenues or return on equity (ROE) obtained relative to approved. In some cases, revenue sharing calculations between the utility and customer base are based on the tier of the actual return relative to the forecasted return (usually based on basis points or percentage difference versus the forecasted value). In addition, the revenue sharing mechanism can either be one-way, or asymmetrical, (i.e. it only comes into effect if the utility obtains a higher return than approved) or two-way, or symmetrical, (i.e. revenue sharing can come into effect if the actual returns are either higher or lower than approved).

For example, in its 2024-2028 Performance-based Regulation Plan for Alberta Electric and Gas Distribution Utilities (Decision 27388-D01-2023, October 4, 2023), the AUC has introduced an asymmetric, two-tiered earnings sharing mechanism (ESM) as follows:

- No sharing of earnings with customers when the actual ROE is within 200 basis points of the approved ROE in a given year;
- A first tier of sharing between 200 and 400 basis points above the approved ROE wherein the distribution utility retains 60 per cent of the incremental earnings within the range and customers receive 40 per cent of the incremental earnings;
- A second tier of sharing at 400 basis points above the approved ROE, above which the distribution utility retains 20 per cent of the incremental earnings and customers receive 80 per cent of the incremental earnings.

#### 4.3.5 Summary External Research Observations

Based on the initial external research completed to date, the following summary-level observations are highlighted as areas which can be potentially considered to help guide updates to the PBR process, governance, performance measures, and approach to balancing risk versus reward:

1. **Process:** It is noted that rates applications review processes tend to be much longer than employed the EWSI PBR and feature more opportunities for cross examination and review of supporting materials to ensure the defensibility and justification of the rates application. In addition, they generally feature the provision of shareholder expectations upon which the utility will develop its rates application and will help serve as a basis for the regulator in its review.

2. **Governance and Roles:** Other regulatory agencies feature a high degree of technical and industry expertise for both the commissioners and their supporting staff. Further, the agency staff feature significant resourcing capacity to assist the regulator in the review and cross examination of the rates application.
3. **Performance Measures:** Performance measures are set by the regulatory agency (with input from the utility) with an emphasis on customer-facing outcomes. Performance targets are set uniquely for each utility based on their context and local servicing demands. Finally, enforcement of utilities' performance can be subjective with a focus on corrective action plans where appropriate.
4. **Balancing Risk vs. Reward:** It was found that some regulatory agencies feature true-up mechanisms to direct revenue sharing between utilities and their customers if the utility's return is significantly different (higher or lower) than approved. This mechanism helps protect customers from overly conservative forecasts from the utility and can also potentially help protect the utility from under-realized revenues.

## 5.0 Proposed Workplan and Next Steps

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This section describes proposed workplan to guide the subsequent phases of this project based on the input received from the stakeholder engagement and observations from the initial external research. It includes a summary of the proposed scope of project objectives, activities to meet these objectives, and set of deliverables.

### 5.1 Proposed Scope of Project Objectives

The project's scope was set to primarily respond to the recommendations detailed in Attachment 10 "Recommendations for the Next Performance Based Regulation Application (Administration)" provided during the October 2024 Utility Committee PBR Review Meeting as noted in Section 2.1 of this report. These included items # 20.a, 24.a, 25.a (and by extension items # 26.a and 27.a), and the two recommendations provided by the Utility Advisor.

To address both the items indicated in the Attachment 10 document and those recommended by the Utility Advisor, a review of PBR's desired outcomes and priorities regarding utility performance measurement, corresponding roles and responsibilities, and process is appropriate. Based on the initial stakeholder input obtained, there is also support for reviewing the PBR rates application and ongoing performance reporting processes and the enabling roles, responsibilities, and requirements to support these. Based on these expectations and to ensure a holistic review, it is proposed to address the following items:

1. **PBR Principles, Goals, and Objectives:** Revisit, update as required, and confirm the overarching principles, goals, and objectives of the PBR. While it is not expected that a significant shift is required regarding the existing principles (noted previously in Section 2.2), there may be opportunities to explore and confirm other desired outcomes, regulatory characteristics, and / or supporting details which substantiate what is required to achieve each existing principle. These may include the following items:
  - a. The desired degree to minimize the PBR's "regulatory burden" versus the potentially competing desire to establish a greater extent of analysis, defensibility, and

justification of the Water, Wastewater Treatment, and Wastewater Collection cost of service expenditure and rates projections;

- b. Supporting objectives or requirements to ensure that the target balance of utility vs. ratepayer risk vs. reward is achieved. Although input received from stakeholders was widely received that the present balance is set at an appropriate level, there were questions raised about a potential lack of supporting details, justification, and / or objectivity for certain cost of service projections which may shift this risk towards ratepayers. Further, initial research has indicated that other regulatory jurisdictions have enacted revenue sharing mechanisms to help true-up actual utility returns relative to forecasted / approved by the regulator in cases where the actuals are significantly different.

In addition, this exercise can consider the control mechanisms the Utility Committee (regulator) has in regard to rate setting expectations, including clarifying expected input from public engagement and how rates need to reflect direction and expectations from the shareholder.

- c. Identifying and confirming key PBR information / input requirements to ensure that the desired outcomes per the PBR principles and items described in (a) and (b) (above) are met. This will consider what is required from EWSI, City Administration, and the Utility Advisor.

Ultimately, the expected outcomes from this work shall specify what success looks like for the future PBR framework. The remaining PBR concept deliverable shall be designed relative to these requirements.

2. **Roles, Responsibilities, and Accountabilities:** Based on the target description of desired PBR outcomes (above), the project will then transition to explore, identify, and confirm the required roles, responsibilities, and accountabilities to achieve them.

This deliverable will consider roles described within the previous Bylaw 12294 and input from stakeholders in addition to the updated requirements (i.e., deliverable from item #1 above). It will detail and confirm a Responsible, Accountable, Consulted, and Informed (RACI) matrix description. This will detail significant activities and deliverables across the PBR rates application and performance reporting cycle and specify appropriate, updated roles each for EWSI, City Administration, Utility Advisor, and Utility Committee. This will also address items in recommendation # 20.a per Attachment 10.

From this updated role clarification, consideration for appropriate resourcing capacity will also be considered and defined.

3. **PBR Rates Application and Performance Reporting Process Design:** Based on the updated requirements (per #1 above) and updated roles (#2 above), an updated PBR rates application and performance reporting process shall be designed. This will include steps and timelines for the obtaining of stakeholder / public input, drafting, reviewing and analysis, cross examination, and finalizing of the rates application and performance reports to the Utility Committee. It will also explore public reporting process considerations to address how the City can ensure transparent reporting of utility performance to the public.

4. **Performance Measures and Performance Measurement Methodology:** This step will focus on recommendations # 24.a, 25.a, 26.a, and 27.a in Attachment 10. Focus will be on the categories and types of appropriate performance measures to include while noting ongoing input and expectations over time from the shareholder. It will also focus on the “so what” regarding measurement of EWSI’s actual results relative to penalties, incentives, and the Utility Committee’s ability to direct performance improvement.

It is noted that subsequent work may be required for specific performance measures and targets development once this deliverable has been completed to ensure that all performance measures can be pragmatically and objectively measured and audited.

## **5.2 Proposed Activities, Schedule, and Deliverables**

To complete the updated scope of project objectives noted in Section 5.1 above, consideration for the required activities and approach was considered.

A cornerstone of this approach will be to engage and facilitate development of the desired future state PBR design recommendations with the PBR Working Committee. This Working Committee was established in Phase 1 and includes three individuals each from EWSI and City Administration. It is expected that the future-state design will be co-designed with input and feedback gained in real-time through facilitated working sessions with this Committee. In addition, further stakeholder engagement will be performed to obtain input from other representatives, including the new Utility Committee after the fall 2025 election.

Based on this, an updated approach is provided in the following graphic:

 <p>Phase 2: Detailed External Regulatory Review Q3-Q4 2025</p>	 <p>Phase 3: “To-Be” Regulatory Function Design Q4 2025 – Q2 2026</p>	 <p>Phase 4: Reporting &amp; Presentations Q2 2026</p>
<p><b>Activities</b></p> <ol style="list-style-type: none"> <li>1. Perform International Review of Target Regulatory Protocols</li> <li>2. Perform Review of Utility Performance Metrics, Benchmarks, &amp; Methods vs. Bonuses &amp; Penalties</li> <li>3. Synthesize Results of External Research</li> <li>4. Present Findings with PBR Working Committee / Stakeholders</li> </ol>	<ol style="list-style-type: none"> <li>1. Engage New Utility Committee &amp; Additional Stakeholders / Internal Representatives</li> <li>2. Facilitate Definition of Desired PBR Principles, Goals, &amp; Objectives</li> <li>3. Update Governance Description (RACI) for Regulator, City Administration, Utility Advisor, and EWSI</li> <li>4. Update PBR Rates Application and Performance Reporting Processes</li> <li>5. Update Performance Measurements and Performance Measurement Methodology</li> <li>6. Plan &amp; Facilitate Working Committee Sessions</li> <li>7. Develop Implementation Plan for Subsequent Detailed Design and Implementation Work</li> </ol>	<ol style="list-style-type: none"> <li>1. Draft Final Report</li> <li>2. Update &amp; Finalize Report (based on feedback from City &amp; EPCOR)</li> <li>3. Develop &amp; Provide Utility Committee Presentation</li> </ol>
<p><b>Deliverables</b></p> <p>A. External Research Presentation &amp; Report</p>	<p>A. Working Committee Workshops B. Technical Memorandums C. Recommended “To-Be” State &amp; Implementation Plan</p>	<p>A. Draft &amp; Final Report B. Utility Committee Presentation</p>

Figure 3: Updated Project Approach for Phases 2-4

Per this updated approach, the following set of project deliverables are envisioned:

- i. **Phase 2: Detailed External Research Findings Report:** This will provide an update to the original external research plan (as appropriate) to ensure a fulsome review of alternative utility regulatory mechanisms. This may include some additional observations from select jurisdictions in Alberta to more readily compare with Edmonton and other sources of regulatory practices for consideration in the development of a desired “to-be” state. This work shall also provide detailed summary of the observations from both the secondary and primary research activities, including input from interviews from the target jurisdictions. Where appropriate, the research summaries will be tailored to address the key items identified for this PBR review.
- ii. **Phase 3: “To-Be” Regulatory Function Design**
  - a. **Updated Description of PBR Principles, Goals, and Objectives:** This will be the result of a facilitated description of relevant updates to the PBR’s overarching principles, goals, and objectives. This will be intended to describe key characteristics of what a successful PBR regulatory framework looks like and will serve as a set of design requirements for the project’s subsequent deliverables.
  - b. **Updated PBR Governance and RACI:** This will detail and confirm a Responsible, Accountable, Consulted, and Informed (RACI) matrix description each for EWSI, City Administration, Utility Advisory, and Utility Committee. This will also item # 20.a in Attachment 10.
  - c. **PBR Rates Application and Performance Reporting Process Design:** This will delineate appropriate updates to the rates application and ongoing performance reporting processes. This will include the development of process maps and supporting documentation, illustrating the timelines and responsibilities for each contributing role (per the RACI matrix descriptions). This will also help to address items in Attachment 10 and recommendations from the Utility Advisor.
  - d. **PBR Performance Measures and Performance Measures Methodology:** This will help address recommendations # 24.a, 25.a, 26.a, and 27.a in Attachment 10 and will delineate requirements for the categories and types of appropriate performance measures to be included in the PBR. It will also address how actual results are measured, reported, and how they impact overall penalties and incentives.
- iii. **Phase 4: Reporting and Presentations:** This will summarize and synthesize recommendations for review with the City and PBR Working Committee. It will also develop a draft report for the PBR Working Committee’s review. From this review, updates of this draft report to deliver a final report, preparation for a final presentation to the Utility Committee.

Based on this updated approach and scope of project objectives, a schedule of expected activities and milestone deliverables is provided in the following table:

Phase & Milestone Deliverable	Timing
<b>Phase 2:</b> i. Detailed External Research Report	Nov. 2025
<b>Phase 3: Engagement &amp; "To-Be" Regulatory Function Design:</b> <ul style="list-style-type: none"> <li>• Engagement with EPCOR and City</li> <li>• Recommendations for:               <ul style="list-style-type: none"> <li>i. PBR Principles, Goals, &amp; Objectives</li> <li>ii. PBR Governance &amp; RACI</li> <li>iii. PBR Rates Application &amp; Performance Reporting Process Design</li> <li>iv. PBR Performance Measures &amp; Methodology</li> </ul> </li> <li>• Implementation Plan</li> </ul>	Dec. 2025 – Feb. 2026  Jan. 2026 Feb. 2026 Mar. 2026 Apr. 2026 Apr. 2026
<b>Phase 4: Final Reporting &amp; Presentation:</b> <ul style="list-style-type: none"> <li>• Final Report</li> <li>• Utility Committee Presentation</li> </ul>	May 2026 June 2026

*Table 2: Preliminary Schedule of Milestone Deliverables*

## Appendix A: Attachment 10

### Attachment 10

#### Recommendations for the Next Performance Based Regulation Application (Administration)

The following tables summarize recommendations either for the next PBR application (for 2028) or for improving PBR Application requirements on an ongoing basis. These have been organized by the Cost of Service and Rates Design, Cost of Capital, Efficiency Factor and Performance Measures. The references align to the recommendation numbers in the report.

Ref.	Cost of Service and Rate Design
<u>Historical Financial Results</u>	
4. a.	EWSI ensures that the minimum amount of historical actual financial results are provided for future PBR applications as per the existing MFR.
<u>Ration of Direct vs. Indirect Administrative Costs</u>	
5. a.	EWSI evaluates and reports on the amount of and types of indirect, overhead administration costs it allocates into customer rates, including a comparison to industry practices and benchmarks.
5. b.	Based on this analysis, EWSI describes how these shared services provide additional value-for-money for City of Edmonton utility customers and how EWSI can efficiently manage these costs to ensure reasonable rates.
<u>Depreciation Study</u>	
6. a.	EWSI updates the PBR minimum filing requirements to include benchmarking data versus comparable water, wastewater, and stormwater utilities across Canada and the United States when completing a depreciation study.
<u>Cost of Service Methodology (Rate Design)</u>	
7. a.	EWSI addresses the following identified cost of service issues to better align with leading practices: <ul style="list-style-type: none"> <li>The calculation of wastewater return factors for each of the residential, multi-family, and commercial customer classes was not performed. This calculates the percentage of billed water which returns to the sanitary system per customer class. It is also typically distinctly different from the ratios of billed consumption across these three customer classes, directly impacting the distribution of volume-related costs to these classes based on their relative volume.</li> </ul>

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<ul style="list-style-type: none"> <li>• The Wastewater Treatment service does not appear to include or distribute cost of service to Hauled Wastewater customers (i.e. customers who truck and dump wastewater loads at EWSI's wastewater receiving stations). Without the inclusion of this unique customer class, an evaluation of hauled wastewater non-regulated rate revenues vs. costs as well as the resulting impact to any cost allocation modifications appropriate for the City's collection (retail) customers was not possible. In addition, it would be expected that some of the Wastewater Treatment costs incurred to support treatment of pollutant strengths and internal plant wastewater volumes should be allocated to this class. This analysis was also not provided.</li> <li>• The Wastewater Collection cost of service did not define the costs of service required for the University of Alberta (U of A), which operates its own collection mains. It uses a historical discount factor received from the City when Drainage was transferred.</li> <li>• The Wastewater Treatment and Collection Service cost of service did not analyze the differences in transmission and treatment costs involved with the ARROW Utilities wastewater "swaps". It was indicated that the strength of wastewater is not sampled for either incoming wastewater received by EWSI nor outflowing wastewater transmitted to ARROW.</li> <li>• The impacts of inflow and infiltration (I/I) were not considered in detail, other than high-level allocations to customer classes based on their billed water consumption. More detailed analysis typically considers how I/I should be allocated between inside-city retail wastewater collection customers versus wholesale customers (such as U of A and ARROW potentially), how it should be allocated to inside-city customers based on the number of connections versus discharged wastewater volumes, and how its strengths of the contaminants within the I/I treated by the plant are allocated to customer classes.</li> <li>• There was only high-level analysis of operating costs regarding how they should be allocated to cost drivers, as it was assumed that the distribution of net book value of assets across cost drivers should also direct the allocation of operating costs. Typically, a cost of service study provides a detailed analysis on manpower allocations, power, chemicals, and external contractor expenditures to allocate costs to cost drivers based on their own merits and cost drivers.</li> <li>• One of the primary outputs of a cost of service report is the supporting rationale for how costs are functionalized, allocated into cost drivers, and distributed across customer classes. The rationale provided to allocate functional costs to cost drivers was only high-level and did not detail the specific cost allocation rationale used per function or asset-type. Without</li> </ul>
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	this detail, it is not possible to review methods or cost allocation calculations.
<b>Customer Consumption Forecast</b>	
8. a.	ESWI review, revise and formulate the statistical analysis used as the basis for projecting future average consumption trends per account as part of the PBR regulatory process.
8. b.	ESWI analyze residential and multi-family indoor usage relative to outdoor irrigation usage trends when completing the analysis above.
<b>Billing Comparisons</b>	
9. a.	EWSI develop rate benchmarking reports separately for Water, Wastewater, and Stormwater. Improvements in EWSI's billing comparisons analysis are also suggested, including separating wastewater and stormwater rates to better represent appropriate utility rates based on the services provided.
9. b.	EWSI review and update the jurisdictional peer group used for the purposes of comparing utility rates, focusing on similarly sized cities with their own water and wastewater treatment plants. Further, address unusual abnormalities across this peer group based on unique billing structures.
9. c.	EWSI's Stormwater residential monthly bills across the PBR term are projected to be larger than other jurisdictions included in the billing comparisons. Based on this, EWSI should further analyze this situation and report back regarding: <ul style="list-style-type: none"> <li>• Initiatives it will target to continue the achievement of efficiencies to manage future rate increases.</li> <li>• How it will provide Edmonton's customers with increased value for money relative to other jurisdictions.</li> </ul>
<b>Cost of Capital</b>	
<b>Credit Rating Analysis</b>	
12. a.	ESWI provide alternative internally prepared analysis to justify their proposed cost of debt within the PBR application process in the future if credit rating reports are no longer available.
<b>Efficiency Factor</b>	
<b>Report on Progress of Realizing Efficiencies</b>	

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14. a.	EWSI to provide updated analysis regarding capital and operating efficiencies gained through the "One-Water" integration over the PBR term. This will support the future evaluation of the efficiency factor in advance of the 2028 PBR application.
<b>Performance Measures</b>	
<u>Role of Regulator in Establishing Performance Measures</u>	
20. a.	A review of the regulatory process for establishing and directing performance measures, including the roles of the parties involved (Council, Administration, EWSI) and factor in leading practice considerations from applicable regulatory agencies (e.g., AUC, OFWAT, IPART, or others).
<u>Historical Performance vs. Performance Measures</u>	
21. a.	EWSI undertake an evaluation of the performance measures where EWSI has consistently exceeded the standard to evaluate the costs and benefits for ratepayers of exceeding performance standards and/or to determine if the standards should be adjusted.
<u>Performance Measures Related to the Capital Program</u>	
22. a.	EWSI update its capital business cases to include a section that outlines how the proposed capital investment supports or impacts the relevant performance measures, including clear impacts to performance, to better align capital decision making.
<u>Wastewater Treatment - Wastewater Effluent Performance Limit</u>	
23. a.	EWSI evaluate the costs and benefits for ratepayers of treating wastewater to a level well below the level allowed in its Approval to Operate and if the standard is set at a level that is warranted from a customer service or cost/benefit perspective.
<u>Performance Measures Framework and Benchmarking</u>	
24. a.	<p>The appropriate party review the suite of performance measures, and adjust them as required, to:</p> <ul style="list-style-type: none"> <li>• Reflect that the PBR process is a financial regulatory process with an objective to ensure customers are receiving value for the rates they pay</li> <li>• Measure EWSI's progress towards meeting prescribed commitments</li> <li>• Include an appropriate number of outcome-based measures (lagging indicators)</li> </ul>

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	<ul style="list-style-type: none"> <li>• Include measures that can be benchmarked against comparative utilities.</li> </ul>
<u>Performance Measures Methodology</u>	
25. a.	The appropriate party to undertake a review of the performance measures methodology, including benchmarking against other comparable regulatory regimes to address how base and bonus points are allocated and the review of financial incentives and penalties, including the relevant implications.
<u>Wastewater Collection – Environmental Index</u>	
26. a.	The appropriate party to review the measures comprising the Wastewater Collection Environmental Index to ensure the proposed measures are meaningful indicators of performance and reflect progress towards achievement of strategic objectives and a return on investment for customers, particularly Stormwater Flow Monitoring and Stormwater Rebate Projects.
<u>Wastewater Collection – Customer Service Index</u>	
27. a.	The appropriate party to review and modify the measures comprising the Wastewater Collection Customer Service Index to ensure they reflect the most important customer priorities. Customer service interruption frequency, duration and response time measures are prevalent measures that should be included in alignment with those indicators in the AWWA Utility Benchmarking Survey. Also consider customer service/call center measures and customer experience measures.

## Appendix B: List of Stakeholder Representatives

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The following stakeholders were interviewed as part of the Phase 1 work stream:

### **EPCOR:**

PBR Working Committee Representatives:

- Susan Ancel, Senior Principal, Water Strategic Initiatives, EPCOR Water Services
- Saqib Chaudhary, Director, Regulatory & Business Planning, EPCOR Water Services
- Carmen Piercey, Senior Manager, Regulatory & Business Planning, EPCOR Water Services

Additional Representatives:

- Santosh Appukuttan, Senior Manager, Regulatory, EPCOR Water Services
- Shawn Bradford, Senior Vice President, Regulated US Water
- Teresa Crotty-Wong, Director, Regulatory & Business Planning, Electricity Services
- Peter Johanson, Controller, EPCOR Water Services
- Martin Kennedy, Director, Communications & Public Engagement, EPCOR Utilities
- Frank Mannarino, Senior Vice President, EPCOR Water Services

### **Utility Advisor:**

- Jim Beckett

### **City Administration:**

PBR Working Committee Representatives:

- Stephen Cheung, Finance Director, Utilities & Land Development
- Harmalkit Rai, Deputy City Treasurer and Financial Services, Branch Manager
- Tracey Sass, Finance Manager, Regulatory and Financial Strategies

Additional Representatives:

- Stacey Padbury, Deputy City Manager and Chief Financial Officer

### **City Utility Committee:**

- Ward pihêsiwin - Councillor Tim Cartmell (Chair)
- Ward Dene - Councillor Aaron Paquette (Vice-Chair)
- Ward Métis - Councillor Ashley Salvador
- Ward O-day'min - Councillor Anne Stevenson
- Ward Karhiio - Councillor Keren Tang